



Beef Business

► A look at current events affecting the cattle industry

Japan halts U.S. imports

Japan halted U.S. beef imports Jan. 20 due to a shipment of veal containing material in violation of the trade agreement between the two countries.

According to *CNN.com*, Japanese inspectors at Tokyo International Airport discovered three boxes of frozen veal containing backbone, a violation of the agreement to export U.S. beef from cattle 20 months of age and younger and free from a vertebral column.

At press time, the Japanese Agriculture Ministry had halted all U.S. beef imports until the U.S. Department of Agriculture (USDA) could explain the findings.

Secretary of Agriculture Mike Johanns announced a series of corrective actions, while expressing his disappointment in the incident.

Johanns said the incident, which occurred at the only U.S. plant eligible to ship veal at the time, was due to human error — a failure on the part of the exporter and on the part of USDA personnel to identify the product as being ineligible.

"I can also share with you that although our investigation into this matter continues, we do know that this plant shipped the first and the only shipment of veal to Japan. And, it was in response to a custom order from Japan," he added.

Johanns said he hopes the USDA's swift actions to address such problems will reassure Japan and promote trade resumption.

Meanwhile, Japanese officials said they would not resume U.S. beef imports without an explanation of how spinal material appeared in the shipment, *Reuters* reported. In response to criticisms endured since the border closure, Japan Prime Minister Junichiro Koizumi told Japanese legislators in early February that the country would not lighten standards for importing U.S. beef, according to *The Associated Press*.

"Americans should understand that Japan's safety standard is strict," he stated in the AP article. "They should understand that Japan's stricter standard only allows cows younger than 20 months, even though 30 months is considered safe elsewhere."

Johanns stated reaction from other trading partners has been encouraging despite fears Japan's actions would influence other countries like South Korea and Taiwan.

"Our discussions with our trading partners have gone well," he said. "We've been very proactive."

BSE case detected in Canada

Canadian officials confirmed Jan. 23 a new case of bovine spongiform

encephalopathy (BSE).

The Canadian Food Inspection Agency (CFIA) reported the disease was found in an approximately 6-year-old, crossbred cow born and raised in Alberta.

According to reports, the animal did not enter the human food or animal feed systems.



Alberta officials have launched a comprehensive investigation into the feeding regimen and storage practices of the farm where the BSE-infected cow was discovered. At press time, the agency was working to identify offspring of the affected animal, as well as cattle born on the farm within 12 months before and after the affected animal. Any live animals found from these groups were to be segregated and tested, according to CFIA.

Secretary Johanns said he does not anticipate changes in the status of beef or live cattle imports to the U.S. from Canada.

Singapore reopens market to U.S. beef

Singapore announced mid-January that it would resume the import of U.S. boneless beef products from animals less than 30 months of age.

According to USDA, the United States

CONTINUED ON PAGE 312

U.S. cattle on feed up 4%

Cattle and calves on feed for harvest in the United States for feedlots with capacities of 1,000 or more head totaled 11.8 million head Jan. 1. The inventory was 4% above the same time last year and 5% above Jan. 1, 2004, figures.

Placements in feedlots during December 2005 totaled 1.88 million, 3% above 2004 figures and 8% above 2003 figures. These are the highest placements for the month of December since the series began in 1996. Net placements were 1.79 million head.

Marketings of fed cattle during December 2005 totaled 1.72 million, 3% below 2004 figures and 1% below 2003. Other disappearance totaled 91,000 head during December, 1% below 2004 figures, but 1% above 2003 figures.

Table 1: No. of cattle on feed, placements, marketings and other disappearance, 1,000+-head-capacity U.S. feedlots, Jan. 1, 2004-2006

	No. of head (1,000 head)			2006 as % of	
	2004	2005	2006	2004	2005
On feed Dec. 1 ^{ab}	11,335	11,334	11,726	103	103
Placed on feed during Dec. ^b	1,748	1,834	1,884	108	103
Fed cattle marketed during Dec. ^b	1,740	1,777	1,715	99	97
Other disappearance during Dec. ^{bc}	90	92	91	101	99
On feed Jan. 1 ^a	11,253	11,299	11,804	105	104

^aCattle and calves on feed are animals for harvest being fed a ration of grain or other concentrates and are expected to produce a carcass that will grade USDA Select or better.

^bDecember of the preceding year.

^cIncludes death loss, movement from feedlots to pasture and shipments to other feedlots for further feeding.

Source: National Agricultural Statistics Service.

exported \$5.9 million of beef and beef products to Singapore in 2003, with boneless beef exports accounting for nearly \$4 million.

South Korea to import boneless beef

Secretary Johanns and U.S. Trade Representative Rob Portman announced mid-January that South Korea and the United States had agreed on an initial import protocol, allowing the U.S. to export boneless beef from cattle less than 30 months of age under a Beef Export Verification (BEV) Program.

Johanns said trade is expected to resume sometime around the end of March.

Portman said that although the protocol is welcome news, U.S. officials are extremely disappointed that Korea did not fully open its market to all U.S. beef products.

“We will continue to urge Korea in the strongest terms to open its market without delay to U.S. bone-in beef, variety meats and offal,” he said. “Together these products historically accounted for approximately 50% of U.S. beef exports to Korea.”

According to USDA, prior to the 2003 ban, the U.S. exported \$815 million worth of beef and beef products to Korea, of which \$449 million was boneless beef.

Philippines opens market to live cattle

The Philippines Department of Agriculture has agreed to allow live U.S. breeding cattle imports into the country, said John Clifford, deputy administrator for the Animal and Plant Health Inspection Service (APHIS).

U.S. cattle imports will be subject to the Philippines Import Health Protocol for Live Cattle. As with meat and meat products, a Veterinary Quarantine Clearance (VQC) from the country's Bureau of Animal Industry (BAI) will be required before animals are allowed entry, Clifford explained.

U.S., South Korea to begin FTA talks

President Bush has announced that South Korea and the United States intend to negotiate a bilateral free trade agreement (FTA).

“Korea is the world's 10th-largest economy and already our sixth-largest market for agricultural exports, with a very real potential for greatly expanded sales of

U.S. farm and food products,” Johanns stated in a release. “A free trade agreement will greatly improve access for our producers to Korean consumers that seek high-quality and affordably priced U.S. products.”

Industry groups like the National Cattlemen's Beef Association (NCBA) are encouraged by the news.

NCBA Immediate Past President Jim McAdams said, “We support the launch of this free trade agreement with South Korea, and expect to see the full reopening of this market to all U.S. beef, significant reductions of Korea's tariffs, and resolution of important sanitary and phytosanitary (SPS) issues.”

Michelle Reinke, NCBA director of legislative affairs, added that the FTA must assure all tariffs on U.S. beef be reduced to zero. “Right now, along with the partial ban on U.S. beef, South Korea imposes some of

the highest tariffs on beef imports in the world, bound at 40%.”

Mexico accepts bone-in beef

Mexico has resumed trade of U.S. bone-in beef from animals younger than 30 months of age, Secretary Johanns announced.

“As a NAFTA (North American Free Trade Agreement) partner and our second-largest export market, the normalization of beef trade with Mexico is great news for our farmers and ranchers,” Johanns said. “This action demonstrates Mexico's commitment to trade based on internationally accepted scientific standards for human and animal health.”

USDA reports that more than \$874 million worth of beef products was sold to Mexico in 2003, with bone-in beef products accounting for \$40 million of that total.

Washington Watch



Bioterrorism act mandates new recordkeeping

Grain and feed handlers have just a few months to initiate approved recordkeeping processes in order to comply with the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. Grain elevator operations that receive, hold and ship raw ag commodities, such as corn, soybeans, wheat, alfalfa meal and other crops, were mandated by the Bioterrorism Act of 2002 to register all their facilities — wherever food grains are received, cleaned, stored, blended, processed and shipped. This mandate to keep records of all grain received and shipped through the facilities is required to help prevent acts of contamination either by terrorists or by natural contamination.

Feedmill operations that receive raw ag commodities and manufacture them into animal and pet feeds are also required to comply with this law. Even the delivery truck and its drivers have to be recorded.

According to a press release, the recordkeeping process must be in place by June 2006. After this date, all records must be available to the Food and Drug Administration (FDA) as soon as possible, and within 24 hours after a request is made if an act of contamination is tracked to a grain-handling operation.

Bush's FY 2007 ag budget released

Secretary Johanns Feb. 6 released details of President Bush's fiscal year (FY) 2007 USDA budget.

According to USDA, total agency expenditures are estimated at about \$93 billion in 2007, nearly \$3 billion below the 2006 level. Roughly 77% of expenditures, or \$71.3 billion in 2007, will be for mandatory programs that provide services required by law, which include many of the nutrition assistance, commodity, export promotion and conservation programs.

USDA's discretionary programs account for the remaining 23% of expenditures, or \$21.5 billion, in 2007, a decrease of \$1.2 billion from 2006. Discretionary programs include the Women, Infants and Children (WIC) program; rural development loans and grants; research and education; soil and water conservation technical assistance; management of National Forests; and domestic marketing assistance.

Among FY 2007 budget highlights, \$82 million was included for domestic surveillance and response efforts to help stem the spread of avian influenza overseas; \$322 million was allocated for the multi-agency Food and Agriculture Defense Initiative; USDA's core investment in energy-related projects increased to \$85 million, up from \$67 million; and more than \$4 billion was set aside to continue implementation of conservation programs authorized in the 2002 Farm Bill.

► BEEF BUSINESS

Johanns also announced the launch of www.ExpectMore.gov, a Web site meant to provide easily accessible information about federal programs, their current performance, and actions the Administration is taking to improve performance in the coming year.

Additional information regarding the FY 2007 budget proposal is available at www.usda.gov.

Strong profits lead to herd expansion

Cow-calf producers responded to another year of record-high calf prices and continued to expand beef cow and replacement heifer numbers during 2005, Cattle-Fax reported.

Despite the limited beef exports and one of the largest net beef supplies on record, prices for fed cattle, feeder cattle and calves were record-high during 2005.

The market analysis organization reports that, during 2005, the U.S. exported about 700 million pounds (lb.) of beef cuts, compared to 415 million lb. in 2004, and 2.5 billion lb. in 2003. Mexico accounted for about two-thirds of 2005 beef exports.

Beef imports during 2005 were near-record and totaled about 3.6 billion lb. The largest increases in imports came from Canada and Uruguay.

According to Cattle-Fax, cattlemen should expect slightly lower prices for fed cattle during 2006, averaging \$85-\$87. Feeder cattle prices are expected to average \$106-\$108 during 2006, which is \$2-\$4 lower than 2005 levels. Calf prices are projected to trade in a range of \$115 to \$135 during the course of the year, averaging about \$125 during 2006. Larger net beef supplies, increased cattle harvest and larger beef production will force prices lower during the year, compared to records set during 2005.

Cattle feeders, stocker operators, backgrounders and cow-calf producers should all experience slimmer operating margins during 2006 due to the larger available supplies. Market cow and breeding cattle prices are expected to be mostly steady during 2006. However, conditions could change if the drought persists in the Southern Plains.

Net beef supplies for the year are expected to increase during the year and be near-record as increased market access and larger beef exports are expected to offset about half of the increase in domestic beef production.

R-CALF requests BSE hearing

Ranchers-Cattlemen Action Legal Fund

CONTINUED ON PAGE 314

USDA safeguards the food supply

The U.S. Department of Agriculture (USDA) announced additional efforts in collaboration with states and private industry to protect the nation's food supply from terrorist threats.



According to a USDA release, the Food Safety and Inspection Service (FSIS) will conduct five critical food-defense exercises this year, to be completed by September's end. The exercises are designed to practice reporting a nonroutine incident while coordinating with all levels of government, nongovernmental agencies and the private sector in an incident command system structure. These exercises will challenge all participants to collaborate more closely and become better prepared to keep the food supply safe.

Additional information about agrosecurity can be found at www.usda.gov/homelandsecurity.

USDA offers funding for EQIP practices

Agriculture Deputy Secretary Chuck Conner announced \$40 million for one-time payment adjustments that will allow eligible Environmental Quality Incentives Program (EQIP) participants to complete conservation practices that have been delayed because of recent increases in energy prices.

The assistance is part of USDA's effort to mitigate the effects of high energy costs on ag producers. The one-time adjustment will apply to participants who signed EQIP contracts in 2004 or earlier. The increase in payment will apply to specific practices that have been most affected by spikes in the cost of concrete, steel, plastic pipe and other construction materials. The increase will be paid only for practices that are completed between March 1 and June 30, 2006, and will focus on specific practices that have escalated in price by 20% or more because of rising energy costs.

For more information on this one-time adjustment, go to www.nrcs.usda.gov or visit a USDA Service Center.



USDA announces CRP re-enrollments, extensions

Ag Secretary Mike Johanns announced that certain ag producers with Conservation Reserve Program (CRP) contracts expiring in 2007 may extend or re-enroll their contracts.

Farm Service Agency (FSA) county offices were to notify, by mail, CRP participants with expiring contracts in 2007 if they are eligible for re-enrollments or two- to five-year



extensions. Participants eligible for re-enrollment will be offered a 10- or 15-year contract, provided there are restored wetlands on the original land enrolled in the contract. Fifteen-year contracts expiring Sept. 30, 2007, are not eligible for extension.

USDA also announced that a general CRP sign-up will take place this spring, from March 27 through April 14, at local FSA offices. Offers for general sign-up will be evaluated based on five environmental factors (wildlife, water, soil, air and enduring benefits) and cost.

For more information on CRP, contact your local FSA office or visit the FSA Web site at www.fsa.usda.gov/dafp/cepd/crp.htm.

United Stockgrowers of America (R-CALF USA) filed a motion in early January in the U.S. District Court of Montana to request a hearing in its litigation against USDA's minimal risk rule regarding BSE.

According to R-CALF, its motion argues that the facts in the case weren't fully developed when the Ninth U.S. Circuit Court of Appeals in mid-July 2005 overturned a previous ruling by the Montana district court that granted an injunction blocking Canadian live-cattle imports.

R-CALF argues that the federal appeals court heard only very limited facts and failed to address all evidence and arguments now presented in its challenge against the USDA rule. As a result, R-CALF is requesting the district court reconsider the case, maintaining that the Ninth Circuit's decision "does not limit, or eliminate, the need for oral arguments of the case and a ruling by the district court on the summary judgment motions filed by both R-CALF USA and USDA."

According to R-CALF, its motion also demonstrates that USDA is not applying

sound scientific judgment to the BSE issue, allowing an increased risk of BSE infectivity.

The organization's litigation disputes the safety of Canadian beef products and requests the USDA's Final Rule on Canada be overturned and Canadian imports be rejected altogether.

Organizations file amicus brief in R-CALF USA case

In related news, five meat industry organizations have submitted an *amicus curiae*, or "friend of the court," brief in support of the USDA rule allowing cattle and beef imports from Canada.

The American Meat Institute (AMI), National Meat Association (NMA), North American Meat Processors (NAMP), Southwest Meat Association (SMA) and the Eastern Meat Packers Association (EMPA) filed the brief in a Montana district court urging the continuation of cattle and beef trade with Canada, AMI reported.

The groups represented in the brief argue that "none of R-CALF's predictions about reopening the border have come true." The

organizations state that the rule opening the Canadian border was working well, and that the arguments that restoration of beef trade with Canada would "undercut consumer confidence in U.S. beef and that the influx of Canadian cattle would adversely affect domestic cattle prices are not borne out by USDA economic data."

Beef demand dips in 2005

Consumer demand for beef dipped slightly in 2005; however, the Beef Demand Index remains up more than 20% since reversing its 20-year decline in 1998, Cattlemen's Beef Promotion and Research Board (CBB) Immediate Past Chairman Al Svajgr announced.

"We had such a stellar growth year for demand in 2004 that we didn't top that mark in 2005, even though we continued to enjoy terrific strength in the market, including strong prices for cattle throughout the year," Svajgr stated in a CBB release. The index decreased 3.6% in 2005 compared to record growth in 2004, according to preliminary year-end results.

Industry Events



K-State Ag Profitability Conference **March 1, 6, Manhattan, Kan.**

Kansas State University (K-State) will host two meetings covering numerous topics that affect a farmer's or rancher's bottom line.

Topics to be covered include the benefits of no-till farming, driving forces and options for the 2007 Farm Bill, crop insurance, rising fuel costs, agricultural trends, economies of size, fertilizer economics, grain marketing and market outlook, machinery costs, employee management, and more.

A conference is scheduled March 1 in Crawford County and March 6 at the Walnut Creek Extension District No. 2. More detailed conference information, including date, location, contact information and specific topics, can be found at www.agmanager.info/events or at a K-State Research and Extension office.

NFU Convention **March 3-6, Denver, Colo.**

The National Farmers Union (NFU) will host its 2006 convention, themed "Fuels From the Farm — Our Nation's Future," in Denver, Colo. The organization's 104th convention is scheduled to include appearances from former U.S. Senate Majority Leader Tom Daschle, Sen. John Edwards and Montana Governor Brian Schweitzer.

New NFU leaders will be elected at the convention, and members will decide on 2006 policy objectives. Members will also participate in workshops and breakout sessions about renewable energy, the new

Farm Bill, trade, and consumer-producer cooperation. Entertainment is also scheduled.

Visit www.nfu.org for more information.

2006 Meat Conference **March 12-14, Dallas, Texas**

The American Meat Institute (AMI) and the Food Marketing Institute (FMI) will host the 2006 Meat Conference at the Gaylord Texas Resort and Conference Center in Dallas.

The conference, meant to bring together meat and poultry retailers and suppliers, will highlight leadership skills, how to determine consumer needs and future purchasing trends.

For a complete schedule of events, registration details and additional information, visit www.meatconference.com.

Southwest Arkansas Cow-Calf Conference **March 21, Hope**

The 2006 Southwest Arkansas Cow-Calf Conference will address a wide array of topics, including estrus synchronization, artificial insemination (AI), round bale silage management, and trace mineral and program feeding research. Three tour stops are scheduled at the University of Arkansas Southwest Research and Extension Center.

Presentations after lunch will feature a market outlook for

► BEEF BUSINESS

Cattle-Fax estimates that the increase in demand since 1998 has added about \$250 per head to the price of fed cattle and about \$200 per head to the price of calves, CBB reported.

For more information visit www.beef.org/newsbeefdemanddipsslightlyin200524842.aspx.

ConAgra to sell meat businesses

ConAgra Foods has announced it will sell its Armour, Butterball and Eckrich refrigerated meats brands, according to an article released early February by <http://meatingplace.com>. The brands accounted for approximately \$1.9 billion in sales last year.

Meatingplace.com reports the sale will take approximately 10-12 months to complete, affecting 15 production plants and 6,000 employees. The sale was part of the company's ongoing plans to "simplify operations and to concentrate in areas where we have the strongest competitive positions," a spokesman for the company stated in the article.



Educational Web site available

The National Cattlemen's Foundation (NCF) and Pfizer Animal Health have announced that the Cattle Learning Center, established in 2005 and available at www.cattlelearningcenter.org, will include even more educational tools producers can use at home.

The site will serve as a true Web-learning facility, including updates and improvements that provide educational tools such as self-paced teaching modules. The modules provide detailed illustrations, quizzes, videos and interactive calculators.

In addition, teaching kits, learning guides, and other educational materials and templates will be available. The Web site is the first Web-based program to emerge from Pfizer's \$3 million grant to NCF, unveiled at the 2004 Cattle Industry Annual Convention.



2006, management of pastures with high fertilizer prices, and improving marketing potential by source and age verification.

Registration begins at 9 a.m. at the Extension center in Hope. For more information contact the Clark County Extension service at (870) 246-2281, the Nevada County Extension service at (870) 887-2818 or the Sevier County Extension service at (870) 584-3013.

School for Successful Ranching

March 25-26, San Antonio, Texas

The Texas and Southwestern Cattle Raisers Association (TSCRA) will host the 12th annual school in conjunction with the TSCRA 129th annual convention.

A day-long cattlemen's workshop will kick off the event Saturday, with a variety of live cattle demonstrations. Twelve classroom sessions will also be offered, three in each of four tracks, including marketing, feeder cattle issues, range management and general. Participants may attend three different classes in each track, or they may choose three courses from any of the tracks.

A \$100 registration fee (\$60 for TSCRA members) should be submitted by March 15. Registration includes a hot lunch on Saturday and free admission to the trade show. For more information or to register online, visit

www.texas cattleraisers.org. Contact Mark Perrier at 1-800-242-7820, Ext. 118, for further information.

NIAA Annual Meeting April 3-6, Louisville, Ky.

The 2006 Annual Meeting of the National Institute for Animal Agriculture (NIAA) will take place at the Galt House Hotel and Suites in Louisville.

The event will bring together producers, veterinarians, business executives, scientists, academicians, government officials and other stakeholders to discuss the latest issues in animal agriculture.

Twelve seminars addressing animal agriculture are scheduled. For more information, including registration, hotel and sponsorship details, visit www.animalagriculture.org or call (270) 782-9798.

World Meat Congress April 26-29, Brisbane, Australia

The biennial meat industry conference will focus on global trends, innovations and issues affecting the world's meat industries. Key themes will focus on the consumer, the community, and supply and trade policy.

The 2006 World Meat Congress is conducted by the International Meat Secretariat and will be hosted by Meat & Livestock Australia, the Australian Meat Industry Council and Australian Pork Limited.

For more information visit www.2006worldmeatcongress.com.au.